

**REPORT OF THE AUDIT OF THE  
MENIFEE COUNTY  
SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period  
June 10, 2007 Through May 29, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**MENIFEE COUNTY**  
**SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period**  
**June 10, 2007 Through May 29, 2008**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2007 Taxes for Menifee County Sheriff for the period June 10, 2007 through May 29, 2008. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$1,155,153 for the districts for 2007 taxes, retaining commissions of \$44,676 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,115,611 to the districts for 2007 taxes. Refunds of \$5,134 are due to the Sheriff from the taxing districts.

**Report Comments:**

- The Sheriff Should Distribute Interest Earnings In A Timely Manner
- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Hershell Sexton, Menifee County Judge/Executive

Honorable Rodney Coffey, Menifee County Sheriff

Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the Menifee County Sheriff's Settlement - 2007 Taxes for the period June 10, 2007 through May 29, 2008. This tax settlement is the responsibility of the Menifee County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Menifee County Sheriff's taxes charged, credited, and paid for the period June 10, 2007 through May 29, 2008, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Hershell Sexton, Menifee County Judge/Executive

Honorable Rodney Coffey, Menifee County Sheriff

Members of the Menifee County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Distribute Interest Earnings In A Timely Manner
- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

November 17, 2008



MENIFEE COUNTY  
 RODNEY COFFEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period June 10, 2007 Through May 29, 2008

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 132,394	\$ 319,558	\$ 455,742	\$ 157,855
Tangible Personal Property	10,008	21,278	27,560	24,691
Fire Protection	1,309			
Franchise Taxes	17,479	37,263	48,445	
Limestone, Sand and Mineral Reserves	248	595	854	296
Penalties	1,250	2,979	4,252	1,468
Adjusted to Sheriff's Receipt	<u>(86)</u>	<u>(66)</u>	<u>(93)</u>	<u>(38)</u>
Gross Chargeable to Sheriff	<u>162,602</u>	<u>381,607</u>	<u>536,760</u>	<u>184,272</u>
<u>Credits</u>				
Exonerations	2,118	5,095	7,289	2,538
Discounts	2,070	4,873	6,881	2,577
Delinquents:				
Real Estate	9,320	22,346	31,948	11,066
Tangible Personal Property	<u>275</u>	<u>585</u>	<u>758</u>	<u>349</u>
Total Credits	<u>13,783</u>	<u>32,899</u>	<u>46,876</u>	<u>16,530</u>
Taxes Collected	148,819	348,708	489,884	167,742
Less: Commissions *	<u>6,612</u>	<u>11,052</u>	<u>19,595</u>	<u>7,417</u>
Taxes Due	142,207	337,656	470,289	160,325
Taxes Paid	<u>142,647</u>	<u>338,039</u>	<u>474,131</u>	<u>160,794</u>
(Refunds Due Sheriff)		**		
as of Completion of Audit	<u>\$ (440)</u>	<u>\$ (383)</u>	<u>\$ (3,842)</u>	<u>\$ (469)</u>

\* and \*\* See Next Page.

The accompanying notes are an integral part of this financial statement.

MENIFEE COUNTY  
RODNEY COFFEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2007 TAXES  
For The Period June 10, 2007 Through May 29, 2008  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	539,327
4% on	\$	489,884
1% on	\$	115,942

\*\* Special Taxing Districts:

Library District	\$	(97)
Health District		(29)
Extension District		(61)
Soil Conservation District		(15)
Fire District		(124)
Watershed District		<u>(57)</u>
(Refunds Due Sheriff)	\$	<u><u>(383)</u></u>

MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT

May 29, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of May 29, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 29, 2008  
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 20, 2007 through May 29, 2008.

Note 4. Interest Income

The Menifee County Sheriff earned \$3,788 as interest income on 2007 taxes. As of November 17, 2008, the Sheriff owed \$1,542 in interest to the school district and \$2,246 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Menifee County Sheriff collected \$7,048 of 10% add-on fees allowed by KRS 134.430(3). As of November 17, 2008, the Sheriff owed \$7,048 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Menifee County Sheriff collected \$615 of advertising costs and \$615 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of November 17, 2008, the Sheriff owed \$615 in advertising costs to the county and \$615 in advertising fees to his fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Hershell Sexton, Menifee County Judge/Executive  
Honorable Rodney Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Menifee County Sheriff's Settlement - 2007 Taxes for the period June 10, 2007 through May 29, 2008, and have issued our report thereon dated November 17, 2008. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Menifee County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Menifee County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Menifee County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Menifee County Sheriff's Settlement – 2007 Taxes for the period June 10, 2007 through May 29, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Distribute Interest Earnings In A Timely Manner

This report is intended solely for the information and use of management, the Menifee County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

November 17, 2008



## COMMENTS AND RECOMMENDATIONS



MENIFEE COUNTY  
RODNEY COFFEY, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period June 10, 2007 Through May 29, 2008

STATE LAWS AND REGULATIONS:

The Sheriff Should Distribute Interest Earnings In A Timely Manner

The Sheriff did not distribute interest earnings on tax collections. KRS 134.140(3)(b) requires the Sheriff at the time of his monthly distribution of taxes to the district school, to pay the school that part of his investment earnings for the month that is attributable to the investment of school taxes. The Sheriff is allowed to charge up to 4% of the earned monthly investment income for administrative expenses. The Sheriff earned \$3,788 of interest on tax collections and did not remit the portion of interest that was due to the school. The Sheriff should distribute \$1,542 to the school and \$2,246 to his fee account for interest earned on tax collections. We recommend the Sheriff distribute interest earnings on a monthly basis as required.

*Sheriff's Response: No response provided.*

INTERNAL CONTROL - MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties. The bookkeeper collects and deposits tax receipts, records all transactions, prepares the monthly reports, and issues checks to the taxing districts. Good internal controls dictate the same employee should not handle and record receipts and disbursements. The Sheriff should either segregate these duties or perform the following compensating controls to help offset this weakness:

- Recount and deposit cash.
- Agree daily tax collection totals to the receipts and deposit slip.
- Agree monthly tax reports to receipts and disbursements ledger.
- Examine all disbursement checks prepared by another employee.

*Sheriff's Response: No response provided.*

